

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0509-03
Bill No.: HB 230
Subject: Property, Real and Personal; Taxation and Revenue - Property; Elderly
Type: Original
Date: February 24, 2015

Bill Summary: This proposal would increase from \$30,000 to \$32,000, the maximum upper limit used to calculate the Senior Citizens Property Tax Credit, commonly known as circuit breaker.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$69,363)	(\$31,617)	(\$31,617)
Total Estimated Net Effect on General Revenue	(\$69,363)	(\$31,617)	(\$31,617)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would reduce Total State Revenues by \$386,000 and would impact the calculation under Article X, Section 18(e) of the state constitution.

BAP officials stated this legislation would increase the maximum upper limit from \$30,000 to \$32,000 for the Senior Citizens Property Tax Credit, which would allow more people to qualify for the credit and increase credit amounts for those near the maximum upper limit.

BAP officials used information provided by DOR to estimate the impact of increasing the upper income limit to \$32,000, and assume the increase would allow approximately 3,346 more PTC claims, and an average return of \$110 per claim. Therefore, BAP officials estimated this proposal could reduce state revenues by $(3,346 \times \$110) = \$386,000$ (rounded) per year.

BAP officials stated their estimate was based on previously filed state tax returns, and noted the filers are not required to claim the property tax credit. BAP stated that DOR officials assume up to 80% of PTC claims were not filed.

Officials from the **Department of Revenue (DOR)** noted this proposal would, beginning January 1, 2015, increase the maximum upper limit for the Senior Citizens Property Tax Credit from \$30,000 to \$32,000 and stated the proposal would increase the number of taxpayers eligible for the credit.

DOR officials did not provide an estimate of the fiscal impact for this proposal.

Administrative Impact

DOR officials assume Personal Tax would require form and programming changes to implement the provisions of this legislation. In addition, the proposed increase in the maximum upper limit would expand the program, increasing the number of individuals qualified for the property tax credit. DOR officials assume Collections and Tax Assistance (CATA) would have additional customer contacts from notice of adjustments and refund calls, and CATA would require one additional Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the non-delinquent tax line. DOR officials stated the technician would require CARES equipment and license.

ASSUMPTION (continued)

The DOR response included one additional employee and the DOR estimate of cost to implement the proposal including salaries, benefits, and equipment and expense totaled \$40,866 for FY 2016, \$41,632 for FY 2017, and \$42,064 for FY 2018.

Oversight notes this proposal would change a limited number of computations on a limited number of individual income tax returns and would not be expected to have an impact on the number of returns filed. Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers. Oversight assumes there would not be a significant number of additional errors resulting from the changes in this proposal; and therefore assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional costs are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$37,746 based on 503 hours of programming at the current state IT contract rate of \$75 per hour.
 $(503 \times \$75) = \$37,725$.

Oversight will include the IT cost estimate for DOR in this fiscal note.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** assume this proposal would, if enacted, change the income level for determining the property tax credit, otherwise known as the senior citizen circuit breaker. Specifically, the maximum upper limit would be increased from \$30,000 to \$32,000 for homestead owned and occupied properties.

EPARC officials prepared a baseline simulation for this proposal using the latest 2013 income tax data and current provisions, and a second simulation for this proposal using the same income tax data and the proposed maximum upper limit.

ASSUMPTION (continued)

EPARC officials noted the owners' baseline currently has a minimum base of \$14,300, a maximum upper limit of \$30,000, a credit limit of \$1,100 and a spouse deduction of \$4,000. The renters' baseline currently has a minimum base of \$14,300, a maximum upper limit of \$27,500, a credit limit of \$750, and a spouse deduction of \$2,000. EPARC officials noted the baseline data for 2013 indicates that \$103,712,641 in property tax credits were being claimed, and there is an additional \$30,475,619 in potential credits that are not being claimed by qualified taxpayers. EPARC noted the sum of those two figures indicates the total amount of property tax credits that could be claimed under the current provisions ($\$103,712,641 + \$30,475,619 = \$134,188,260$).

If the upper limit was increased to \$32,000 for homestead owned and occupied properties, current claimants' credits would be increased from \$103,712,641 to \$103,715,548, an increase of \$2,907, and potential claimants' credits would be increased from \$30,475,619 to \$30,504,329, an increase of \$28,710. The total potential credits if this proposal is implemented would be \$134,219,877.

Oversight notes the proposal would increase the total potential amounts claimed under this program from \$134,188,260 to \$134,219,877, an increase of \$31,617, and will include that amount in this fiscal note.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be greater than our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of the Secretary of State (SOS)** and the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
IT cost	(\$37,746)	\$0	\$0
<u>Revenue reduction</u>			
Additional claim amounts			
Senior Citizens Property Tax Credit	<u>(\$31,617)</u>	<u>(\$31,617)</u>	<u>(\$31,617)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$69,363)</u>	<u>(\$31,617)</u>	<u>(\$31,617)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

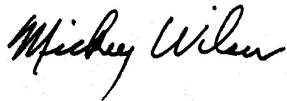
FISCAL DESCRIPTION

This proposal would increase from \$30,000 to \$32,000, the maximum upper limit used to calculate the Senior Citizens Property Tax Credit, commonly known as circuit breaker.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
University of Missouri
 Economic and Policy Analysis Research Center



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Director
February 24, 2015

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February 24, 2015